

OVERVIEW OF UMHLABUYALINGANA MUNICIPAL AREA



A. BACKGROUND

Umhlabuyalingana Local Municipality is one of the five local Municipalities under the jurisdiction of uMkhanyakude District Municipality in the northern KwaZulu Natal. It is a rural municipality initiated in the year 2000 when the third sphere of government was established. It is one of the transfrontier municipalities as it borders Mozambique and stretches to the Greater ST. Lucia Wetland Park. One of the highlights about our municipality is that it has been marked as the Presidential nodal point which means it is very underprivileged. Although this might seem as a huge disadvantage but our municipality is growing from strength to strength every year.

Umhlabuyalingana is demarcated into 13 wards which in all covers the land area of about 3.698 square kilometers which is 29 percent of the Umkhanyakude land area. The population of Umhlabuyalingana is estimated at about 140,964 which is about 25 percent of the Umkhanyakude population as per the results by Census 2001. It is a largely rural area and is characterized by informal settlements, as the unemployment level is very high.

One of the factors that challenges the municipality is that a large number of people are illiterate which affects the employment opportunities and also affects

the level of economy and therefore poverty levels becomes high. Almost 54% is uneducated and those few that are educated only 10% is employed and a large number of our population is economically inactive which means they live dependently on government grants. Such high levels of unemployment are indicative of a poor absorption capacity of the local economy.

POLITICAL AND MANAGEMENT STRUCTURE

As a government structure we have two structures of management/leadership, the political side elected by the community and the administration management. Our political structure consists of 26 councillors. The administration management consists of six departments, Management Services Department, Corporate Services Department, Department of Local Economic Development, Community Services Department, Finance Department and Technical Services Department.

These two structures work co-operatively in the municipality with the same vision of improving lives of the people of Umhlabuyalingana. The 13 Wards in our Municipality are led as follows:

Ward 1	:	Cllr PM Ngubane
Ward 2	:	Cllr DA Ncube – Honourable Mayor
Ward 3	:	Cllr MJ Zikhali
Ward 4	:	Cllr W Mbonambi
Ward 5	:	Cllr T Mthembu – Deputy Mayor
Ward 6	:	Cllr LM Nhleko
Ward 7	:	Cllr KS Gumede
Ward 8	:	Cllr DP Khumalo
Ward 9	:	Cllr MV Mahamba
Ward 10	:	Cllr MC Ngubane
Ward 11	:	Cllr TS Mkhombo
Ward 12	:	Cllr NS Mthembu
Ward 13	:	Cllr SI Mabika

The municipality also got 13 PR Councillors, they are as follows:

- Cllr SI Mkhumbuzi
- Cllr MN Nxumalo
- Cllr TC Nxumalo
- Cllr MS Mnguni
- Cllr NR Mthethwa
- Cllr SH Nxumalo
- Cllr WT Dladla
- Cllr MW Nxumalo
- Cllr LE Ngubane
- Cllr SP Mthethwa

- Cllr MJ Mthiyane
- Cllr MS Mabika
- Cllr FG Mlambo

MUNICIPAL VISION AND MISSION

VISION

We want to see ourselves as the most democratic and developmental municipality in South Africa that will enhance socio-economic growth for all people.

MUNICIPAL DEVELOPMENTAL VISION

The vision underpins an integrated approach to improving the standard of living of all people in the area of Umhlabuyalingana area. In order to achieve this vision, the municipality will have to persist functioning in an accountable and financial sound manner.

MISSION

"To create an enabling environment and sustainable development which promotes equality and, freedom, poverty reduction and quality of life for our communities.



MAYOR
CLLR D.A. NCUBE

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

FOREWORD BY THE HONORABLE MAYOR

Just from very difficult year in terms of financial challenges I am pleased to report that the municipality is showing a recovery from the past year reported accumulated deficit which is evidenced by reporting a comeback operating surplus of R 2 093 635 from operating deficit of R8 690 415 ,however we will endeavor for further decrease of this deficit during the preceding financial year.

The budget for the 2008/2009 financial year has been submitted to the National Treasury for approval.

The emphasis will now remain on maintaining sound financial controls to ensure that spending is properly managed.

My thanks go to the Municipal Manager and his staff and my fellow councilors and various committees for the hard work and cooperation during the year and the atmosphere in which I have been able to perform my duties.

I believe that with the dedication of everyone at council our work will go a long way to achieving needs of the communities within our Municipal boundary.

THE HONORABLE MAYOR
Cllr D A NCUBE



Municipal Manager
Rev. S.E. Mangele

FOREWORD BY THE MUNICIPAL MANAGER

We are pleased to present 2007/ 2008 Annual Report of Umhlabuyalingana Local Municipality (U.L.M). This annual report gives an account of how Umhlabuyalingana Local Municipality has performed in relation to the developmental target it had itself as informed by its mandates and services delivery needs of the citizens of Umhlabuyalingana. This report is prepared in accordance with the Municipality Financial Management Act (MFMA). In preparing this report, we have focused on ULM's strategic goals, as committed to in our IDP, and describe our performance towards the achievement of our identified priorities. Our priorities were drawn from communications with our Councilors and the employees of the Municipality.

Our Council and Officials have shown themselves ready to meet our citizens expectations for improved service delivery and are responding with imaginative and innovation solutions.

Through this report, we place ourselves at and welcome your judgment. We commit to an even greater focus on listening to and learning from you, the citizens and owners of this Municipality. In so doing, we will continue to raise our performance and service delivery to the levels required to meet all our citizens needs and expectations. Let us move forward , with the objective of building a better future for all , as our guiding principles.

Municipal Manager

Rev S.E. Manqele

**REPORTS OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVISIONAL
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF UMHLABUYALINGANA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE
2008.**

REPORT OF THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umhlabuyalingana Municipality which comprises the balance sheet as at 30 June 2008, income statement, cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note and in the manner required by the Local Government Municipal Management Act, 2003 (Act No.56 of 2003) (MFMA), and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA). This responsibility includes:
 - Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - Selecting and applying appropriate accounting policies
 - Making accounting estimates that are reasonable in the circumstances

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No 25 of 2004) (PAA), my responsibility is to express in opinion on these financial statements based on my audit.
4. I conducted my audit on accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - Appropriateness of accounting policies used
 - Reasonableness of accounting estimates made by management
 - Overall presentation of the financial statements
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Basis of accounting

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for qualified opinion

Debtors

9. The financial statements reflect a Value Added Tax (VAT) receivable amount of R5 220 268 in Note 7. This receivable represents claims for VAT refunds in respect of a number of VAT periods including R3 836 301 relating to prior years. The municipality is currently undergoing a VAT audit by South African Revenue Services (SARS). Since we have not been provided with apportionment confirmation of the claim receivable, the claim of R3 836 301 relating to prior year is considered to be irrecoverable and has been recorded on the schedule of unrecorded audit differences.

As a result VAT debtors are overstated and expenditure understated by R3 836 301.

Creditors

10. The amount in respect of Pay As You Earn (PAYE) due for the year to June 2008 reflected on the statement from SARS was R1 342 407. This excludes penalties and interest of R127 780 and R94243 respectively not raised and recorded in the books of the municipality. The municipality paid R504 060 of this liability. However, the outstanding PAYE liability was recorded in the financial statements as R702 836 which is understated by R135 511 (R361 534 including penalties and interest).

As a result creditors are understated and expenditure overstated by R135 511 (R361 534 including interest and penalties).

Qualified opinion

11. In my opinion, except of the matters described in the basis for qualified opinion paragraphs the financial statements of the Umhlabuyalingana Municipality as at 30 June 2008 and his financial performance and cash flows for the year then ended have been prepared, in all material respects, in all accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA and DORA.

Emphasis of matters

I draw attention to the following matters:

Going concern

12. With regards to concomitant assets, Umhlabuyalingana Municipality had an accumulated operating deficit of R8 916 893 at 30 June 2008 and as at that date the entity had a cash overdraft per the financial statements amounted to R13 087 222. Consequently, there is a shortfall of R142 970 in the financing of the funds, reserves, creditors and provisions.

In addition, the municipality is unable to meet all its daily current creditor commitments and payments. This is due to the erosion of its capital base over the last two years and resulting in creditors being financed through short-term overdraft.

Unauthorized expenditure

13. The municipality incurred unauthorized expenditure of R2,5 million, being conditional capital grant funding utilized for operating expenditure. The unauthorized expenditure is in terms of section 1 of the MFMA – Definitions (Unauthorized expenditure (f) – a grant by the municipality otherwise than in accordance with this Act).
14. Unauthorized expenditure of R555 498 was incurred, being over-expenditure of repairs and maintenance and leave encashment budgets. The over-expenditure was not taken to council for ratification as required by section 29(3) of the MFMA. This is in terms of section 1 of the MFMA – Definitions (Unauthorized expenditure – overspending of the total amount appropriate for a vote in the approved budget).